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PACIFIC TELESIS
Group-Washington

NOV 20 1995

November 20, 1995

William F. Caton
Acting Secretary
Federal Communications Commission
Mail Stop 1170
1919 M Street, N.W., Room 222
Washington, D.C. 20554

DOCKET FILE COPY ORIGINAL

Dear Mr. Caton:

Re: *CC Docket No. 95-115, Amendment of the Commission's Rules and Policies to Increase Subscribership and Usage of the Public Switched Network*

On behalf of Pacific Bell and Nevada Bell, please find enclosed an original and six copies of their *"Reply Comments on the Notice of Proposed Rulemaking"* in the above proceeding.

Please stamp and return the provided copy to confirm your receipt. Please contact me should you have any questions or require additional information concerning this matter.

Sincerely,

Enclosure

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Amendment of the Commission's Rules and Policies to Increase Subscribership and Usage of the Public Switched Network	)	CC Docket No. 95-115
	)	

REPLY COMMENTS OF PACIFIC BELL AND NEVADA BELL
ON THE NOTICE OF PROPOSED RULEMAKING

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SUMMARY

Support is widespread throughout the comments for allowing LECs and states the flexibility to experiment and to develop services and policies that fit their unique needs for increasing subscribership. The comments reveal a number of positive steps that the Commission can take to help increase subscribership without creating conflicts with LEC and state initiatives. These steps include:

- Revise federal Lifeline and Link-Up to allow customers to self-certify their incomes and other criteria, rather than requiring state verification.
- Revise Link-Up to include unlimited installations each year.
- Consider a separate national program to support extension of communications services to schools and libraries.
- Conduct a rulemaking proceeding concerning expansion of spectrum for BETRS.
- Expand the Census Bureau's Current Population Survey ("CPS") questions to address alternative services, including paging and voice mail.
- Consider establishing a federal and state regulatory forum to address subscribership issues and to encourage consumer education and the continued development of services that will help increase subscribership.

The Commission should encourage the continuation of the positive actions being taken by LECs and states. The State Public Advocates ignore these positive actions when they "wonder how many children we are going to allow to grow up in American households without access to basic dial tone and 911 emergency services if we fail to act now?" LECs and states already are acting in numerous ways.

For instance, by the end of this year, we expect that nearly 95 percent of Pacific Bell's residential customers will have Quick Dial Tone ("Warmline"), which allows outgoing and incoming access to 9-1-1 emergency services even if regular phone

service has not been activated or has been disconnected. This effort by California and Pacific Bell directly addresses Chairman Hundt's concern that:

> In 1993, more than one-quarter (27.1%) of below-the-poverty-line households with children -- that is, some 3.7 million children -- did not have phone service. In an emergency, they cannot even call 911.

We do not want anyone to be without access to 9-1-1, and we are doing something about it. Once we replace our last non-compatible switches, we expect that nearly 100% of Pacific Bell's residential lines will have Quick Dial Tone capability.

Numerous LECs are offering and developing subscriber-retention products to help maintain and increase access to local service, including emergency and other local services. The most widespread subscriber-retention products involve toll restriction. In some or all the states that they serve, all the BOCs offer products that block toll service and allow customers to subscribe solely to local service. GTE, Cincinnati Bell, and numerous small telephone companies also offer these Toll Restriction products. Toll Restriction can work together with disconnection policies to help protect the interests of all customers.

We need time to see if these products help as much as we expect to retain existing subscribers and to bring back former subscribers who have had payment problems in the past. From the California Affordability Study, we found that approximately 70% of Pacific Bell's non-customers and 40% of our lower-income customers are interested in call control. Although we have developed Toll Restriction and Blocking services, we may need to make further adjustments and add new products as we proceed. To help us in this task, we intend to update key portions of the California Affordability Study next year to obtain additional information concerning why some people do not have phone service, what more can be done to help them obtain it, and what more we can do to retain existing lower-income subscribers. The Commission should not risk frustrating the LECs' and states' positive efforts by mandating a change in payment responsibility via a prohibition on disconnection of local service for nonpayment of interstate charges.

There is no clear correlation between a prohibition on disconnects and increased subscribership. The comments reveal that those states that have subscribership levels above the national average are about evenly split as to whether or not local service in those states is disconnected for nonpayment of charges for interstate service. This even split, together with review of the situation in individual states, shows that the Commission should not prohibit disconnects based on any perceived correlation between the prohibition and increased subscribership.

Although with a prohibition on disconnection there is no clear evidence that subscribership would rise, there is concrete evidence that credit risk would multiply. As a result of the prohibition in Pennsylvania, "Bell Atlantic has experienced a nearly 400% increase in uncollectables...." GTE reports a "threefold" increase in uncollectables in Pennsylvania as a result of the prohibition. Bell Atlantic's "uncollectables in Delaware have risen 159%" as the result of a prohibition on disconnects. Others also provide evidence of sharp increases in net bad debt as a result of prohibitions on disconnects. In addition, Bell Atlantic's "administrative costs have risen by over $24 million per year" in Pennsylvania because of the prohibition on disconnects. The Commission should avoid creating these costs and inefficiencies.

Disconnecting local service for nonpayment of interstate charges is not improper or unreasonable. Treating closely related services together for purposes of both billing and refusing to extend further credit (e.g., disconnection) is normal business practice.

For instance, cable TV companies have their own basic services and premium services for which they purchase programming from third parties. The cable TV companies bill for all these services and disconnect the whole package for nonpayment of any part of the total bill. Similarly, local and long distance service, both intrastate and interstate, are closely related basic telephone services, and treating them together for purposes of billing and disconnection is a reasonable business practice.

If, contrary to our advice, the Commission decides to take any action concerning a prohibition on disconnection, the Commission should acknowledge that the prohibition is not needed, at least at this time, where LECs offer Toll Restriction service or a Toll Management system as a credit tool to help keep customers on the network. Toll restriction services help maximize subscribership, while minimizing credit risk (and, thus, minimizing the negative effects on other subscribers).

There are positive steps that the Commission can take to help increase subscribership. For instance, the Commission should support modifications to federal Lifeline and Link-Up programs. As Consumer Action explains, self certification of income has worked well in California. It "keeps administrative costs to a minimum and does not put paperwork barriers in the way of eligible consumers." Fraud or mistake has not been a significant problem.

Consumer Action also states that "high installation charges are a key deterrent to people signing up for phone service" and "supports the policy in California in which low income consumers can receive service by paying a $10 installation fee." In order to assist highly-mobile, lower-income households, we believe that the Commission should support not only this low fee, but also the expansion of Link-Up assistance to include unlimited installations per year.

The Commission should consider a separate assistance program for schools and libraries using definitions and proposals supplied by the Consortium for School Networking and other school and library associations and other parties. We agree with NYNEX that contributions to an "explicit, discrete fund" would need to come from all telecommunications service providers. A national program potentially could be modeled after Pacific Bell's Education First program, which wires schools and libraries with lines free for one year in order to ensure connectivity to the public switched network. This program would directly address Chairman Hundt's concern that:

> ... 45 million American children go to school in a 19th-century world. Only 12% of the classrooms have basic phone lines, and only 3% of our classrooms have computer networks. Phone lines in classrooms are the on-ramps to the information superhighway. They are gateways to the information age.

The challenge is great, and the need is urgent. Telecommunications providers, states, and the federal government should work together to move our schools into the 21st Century by the year 2000.

In conclusion, the Commission should allow LECs to continue to develop solutions for increasing telephone subscribership and to continue to work with state commissions on this goal. Additional federal support would be helpful, but mandates are not needed and would reduce the flexibility needed to develop solutions that address local problems. The best solutions aim at the root cause of subscribership problems by helping customers to control their calls. These solutions prevent the problems up-front, rather than trying to cure them later by passing the burden onto the LECs and the general ratepayers.

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of Amendment of the Commission's Rules and Policies to Increase Subscribership and Usage of the Public Switched Network	)	CC Docket No. 95-115

REPLY COMMENTS OF PACIFIC BELL AND NEVADA BELL ON THE NOTICE OF PROPOSED RULEMAKING

Pacific Bell and Nevada Bell submit these reply comments in response to the comments filed on the Notice of Proposed Rulemaking ("NPRM") that the Commission released on July 20, 1995, in the above-captioned proceeding.

I. INTRODUCTION -- THE COMMISSION SHOULD CONTINUE TO HELP INCREASE SUBSCRIBERSHIP THROUGH POSITIVE ACTIONS THAT COMPLEMENT LEC AND STATE INITIATIVES

The Commission's policies have helped achieve high subscribership levels in our Nation. These policies support the Communications Act's goal that "efficient...communication service...at reasonable charges" be made available, "so far as possible, to all the people of the United States."[1] Taking steps to encourage

[1] 47 U.S.C. § 151.

communication service to be efficient and reasonably priced is the best way to make communication service available to most people. The Commission should expand its reliance on evenhanded, streamlined regulation and fair competition to accomplish this goal, and should avoid regulatory requirements that will reduce carriers' efficiencies. To help extend service to people with lower-incomes and to those living in high-cost areas, the Commission has established special programs and services, including Lifeline, Link-Up, High Cost Funding, and Basic Exchange Telecommunications Radio Service ("BETRS"). The Commission should continue to improve these programs and services and should explore additional programs that are narrowly-targeted and funded in a competitively neutral manner.

Review of the comments in this proceeding reveals a number of positive steps that the Commission can take to help increase subscribership without creating conflicts with LEC and state initiatives. These steps include:

- Revise federal Lifeline and Link-Up to allow customers to self-certify their incomes and other criteria, rather than requiring state verification.
- Revise Link-Up to include unlimited installations each year.
- Consider a separate national program to support extension of communications services to schools and libraries.
- Conduct a rulemaking proceeding concerning expansion of spectrum for BETRS.
- Expand the Census Bureau's Current Population Survey ("CPS") questions to address alternative services, including paging and voice mail.
- Consider establishing a federal and state regulatory forum to address subscribership issues and to encourage consumer education and the

continued development of services that will help increase subscribership.

Review of the comments also is instructive concerning what the Commission should avoid. It should be careful not to interfere with the positive steps being taken by the LECs and states. The large LECs and many of the small LECs have developed toll restriction products that represent relatively new thinking in the area of subscribership. Pacific Bell, for instance, helped fund the California Affordability Study[2] which has helped shape our thinking and was a factor in our development of Toll Restriction and Toll Blocking products that will help subscribers control their calling and keep it affordable.

We need time to see if these products help as much as we expect to retain existing subscribers and to bring back former subscribers who have had payment problems in the past. From the California Affordability Study, we found that approximately 70% of Pacific Bell's non-customers and 40% of our lower-income customers are interested in call control.[3] But we may need to make further adjustments and add new products as we proceed. To help us in this task, we intend to update key portions of the California Affordability Study next year to obtain additional information concerning why some people do not have phone service, what more can be done to help those who want service obtain it, and what more we can do to retain existing lower-income subscribers.

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[2] "Affordability of Telephone Service - A Survey of Customers and Non-Customers," conducted by Field Research Corporation, 1993 ("California Affordability Study"). This study was mandated by the California Public Utilities Commission.

[3] Id. at 8.16 - 8.17.

The premise behind our new subscribership services and efforts is that customers need to be responsible for paying their bills. That responsibility creates incentives for customers to take advantage of Toll Restriction and other subscribership services, as temporary measures to improve their ability to control their calling and to allow them to return to being able to make toll calls. The responsibility to pay all charges also protects us and our general body of customers who would otherwise face increased costs and prices.

The Commission should not risk frustrating the LECs' and states' positive efforts by mandating a change in payment responsibility. Support for allowing states the flexibility to experiment and to develop policies that fit their unique needs is widespread throughout the comments, even among parties who either support or do not oppose state prohibitions on disconnects.[4] Accordingly, the Commission should not prohibit disconnection of local service for non-payment of interstate charges.[5] Ameritech explains why now would be a particularly bad time for such a change in its territory, and Ameritech's reasoning is applicable in our and other territories:

> Ameritech's main point is that the Commission should not adopt a rule prohibiting disconnection of local service for non-payment of interstate toll charges because there are other, less onerous ways to potentially increase the level of accessibility to the wireline network, including voluntary and involuntary toll restrictions and deposit requirements which reflect such toll restrictions. Ameritech is in the process of conducting trials of some of these alternatives and

[4] See, e.g., NYSDPS, pp. 3-6; Pennsylvania, pp. 3-5; Teleport Communications Group, p. 9; US West, p. 3. See also TDS Telecommunications Corporation, p. 9, concerning the North Dakota Public Service Commission.

[5] See Pacific Bell and Nevada Bell, pp. 13-21.

> has implemented others in cooperation with state regulatory commissions across the midwest. The Commission should give those programs an opportunity to work before deciding whether additional rules intended to increase subscribership should be adopted at the federal level.[6]

If, contrary to our advice,[7] the Commission believes that it needs to take some action in this area, it should narrowly target the prohibition. In that event, the Commission should apply the prohibition solely to LECs that do not establish within a reasonable time a Toll Restriction or Toll Management product that is used as a credit tool and offered to customers as an alternative to disconnection while the customer is given more time to pay off the debt. A much more helpful approach would be for the Commission to decline from any prohibition and instead encourage LECs and states to continue to expand Toll Restriction and other services that are aimed at helping customers avoid ever having to face the prospect of their service being disconnected or of being denied access to 9-1-1 emergency services.

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[6] Ameritech, p. 3.

[7] This would also be contrary to our opinion on the Commission's legal authority. See Pacific Bell and Nevada Bell, pp. 19-21.

II. LECs AND STATES ARE ADDRESSING THE ROOT CAUSES OF TELEPHONE NON-SUBSCRIBERSHIP IN ORDER TO RETAIN AND ADD SUBSCRIBERS AND MEET UNIVERSAL SERVICE GOALS

The comments show that LECs and states are striving to increase telephone subscribership by developing services that address the root causes of non-subscribership. LECs are helping customers control their toll calls and thus reduce their telephone bills in order to remove the cause of most subscribership problems upfront. This approach helps avoid, whenever possible, the need to disconnect customers for non-payment of telephone charges. LECs and states are sensitive to the importance of maintaining and expanding local service, including 9-1-1 and other services.

These efforts by the LECs and states reveal the fallacy of those few parties who recommend drastic Commission mandates, including an outright prohibition on disconnection of local service for non-payment of interstate service. Because of these efforts, such mandates are not needed and would stifle positive LEC activity.

Parties who recommend these mandates often ignore these efforts that LECs are making to increase subscribership.[8] For instance, in their joint comments, the Delaware, Florida, Maine, and Missouri Public Advocates and Counsel ("State Public Advocates") assert, "We fully expect that the various carriers will maintain that there is no problem, that we've gone as far as we can go."[9] Similarly, these Advocates state:

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[8] In addition to the State Public Advocates, discussed in the text that follows, other examples of comments supporting a prohibition on disconnects while ignoring the positive efforts of LECs are the comments by Consumer Action, Public Utility Law Project of New York, and Time Warner Communications Holdings.

[9] State Public Advocates, p. 4.

"The Commission assumes that 100% penetration is not possible, and we agree. However, the LECs are going to tell you that they have achieved universal service already."[10]

The State Public Advocates are wrong concerning LEC attitudes. For instance, approximately five percent of residences in Pacific Bell's territory do not have telephone service, and we estimate that only one percent of them do not want it.[11] Moreover, we believe that even some of these latter Californians will want telephone service once they fully understand the value of it. In addition to this five percent, we recognize that the larger subscribership challenge is retaining current subscribers who have trouble paying their telephone bills.[12]

In our comments, we described in detail what we are doing to meet the needs of people in our territories who do not have telephone service, and to help our customers who currently have service but may have difficulty retaining it.[13] We, and other LECs, are not exhibiting the self-satisfied attitude and inaction described by the State Public Advocates.

The State Public Advocates "wonder how many children we are going to allow to grow up in American households without access to basic dial tone and 911 emergency

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10 Id. at 9.
11 See California Affordability Study, pp. S-19.
12 See id.
13 See Pacific Bell and Nevada Bell, pp. 22-39.

services if we fail to act now?"[14] LECs and states already are acting in numerous ways, two of which we describe below.[15]

Quick Dial Tone ("Warmline")

By the end of this year, we expect that nearly 95 percent of Pacific Bell's residential customers will have Quick Dial Tone ("Warmline"), which allows outgoing and incoming access to 9-1-1 emergency services even if regular phone service has not been activated or has been disconnected. This effort by California and Pacific Bell directly addresses Chairman Hundt's concern that:

> In 1993, more than one-quarter (27.1%) of below-the-poverty-line households with children -- that is, some 3.7 million children -- did not have phone service. In an emergency, they cannot even call 911.[16]

We do not want anyone to be without access to 9-1-1, and we are doing something about it. Once we replace our last non-compatible switches, we expect that nearly 100% of Pacific Bell's residential lines will have Quick Dial Tone capability.[17]

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[14] State Public Advocates, p. 4.

[15] We described numerous other subscribership services in our comments. See Pacific Bell and Nevada Bell, pp. 24-39.

[16] "The Challenge Of Competition," Speech by Reed Hundt, Chairman, FCC, United States Telephone Association, Orlando, Florida (As Prepared For Delivery) November 2, 1995, p. 6; see also Speech by Reed Hundt, Chairman, FCC, Fall Business Conference, Competitive Telecommunications Association (COMPTEL), New Orleans, Louisiana, (As Prepared For Delivery) October 10, 1995 ("Reed Hundt October 10, 1995 Speech to COMPTEL"), p. 4.

Toll Restriction

Numerous LECs are offering and developing subscriber-retention products to help maintain and increase access to local service, including emergency and other local services. The most widespread subscriber-retention products involve toll restriction. In some or all the states that they serve, all the BOCs offer products that block toll service and allow customers to subscribe solely to local service.[18] GTE and Cincinnati Bell also offer these Toll Restriction products.[19] In addition, numerous small telephone companies offer these Toll Restriction products.[20]

The State Consumer Advocates make no reference to the existence of these LEC Toll Restriction services. But they strongly support their development and urge the Commission to encourage the states to require their availability.[21] Similarly, Consumer Action supports Toll Restriction service. Without mentioning the existing and proposed

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[17] We expect to replace these switches by the end of 1997. We do not guarantee Quick Dial Tone on every line because of capacity and system limitations. We will not be able to reach 100% availability at least until we convert our network to broadband.

[18] Toll restriction is offered by: Ameritech in each of its five states (Ameritech, Attachment A, pp. 2-3); Bell Atlantic in Pennsylvania (Bell Atlantic, p. A-2); Bell South in each of its nine states (Bell South, pp. 6-7); NYNEX in its New England States (NYNEX, p. 7); Pacific Telesis in Nevada and, by the end of the year, in California (Pacific Bell and Nevada Bell, pp. 22-24).

[19] GTE offers call blocking and/or operator screening services in each of its 28 states (GTE, p. 19). Cincinnati Bell offers Toll Restriction (Cincinnati Bell, pp. 8-9).

[20] The following small telephone companies offer these services: the majority of Alaskan telephone companies (Alaska Telephone Association, p. 2); 13 out of 17 NCTA members who responded to a survey that was sent out to 42 companies (NCTA, p. 8); a number of TDS LECs (TDS Telecom, p. 5); the majority of members of the Telephone Association of Maine (p. 1); United (pp. 1-2). Illinois Consolidated Telephone Company (pp. 1-2) is willing to offer voluntary toll restriction.

[21] See State Consumer Advocates, pp. 4, 8, 11.

Toll Restriction services, Consumer Action recommends features some of which are like those contained in Pacific Bell's pending service. For customers whose service is in jeopardy because of non-payment, Toll Restriction would be part of a program to retain them on the network, including "free toll restriction, reconnection of service without payment of a deposit, and six months to pay off the outstanding balance."[22] Time Warner also recommends that the Commission require Toll Restriction services, without mentioning the substantial existing development of these services.[23]

We believe that these parties are correct that Toll Restriction service is a valuable tool for retaining and increasing subscribership. They are wrong, however, to ignore the extensive work already being done by LECs and states in this area. Moreover, they are wrong to recommend that Toll Restriction services be required together with a prohibition on disconnects, rather than recognizing these services as potential alternatives to that prohibition. Indeed, the NPRM itself asks for comments on the suggested prohibition on disconnects as an alternative to long-distance blocking services.[24] Toll Restriction can work together with disconnection policies to help protect the interests of all customers.

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[22] Consumer Action, p. 3.
[23] Time Warner, p. 4.
[24] NPRM, para. 7.

III. THE COMMISSION SHOULD NOT PROHIBIT DISCONNECTION OF LOCAL SERVICE FOR NONPAYMENT OF INTERSTATE SERVICE

Of those comments that take a position on whether or not the Commission should mandate a prohibition on disconnects, 30 oppose it and nine support it.[25] As discussed above, the current existence of widespread and growing Toll Restriction services among the LECs ensures that there is no need for a prohibition on disconnects. In any event, potential benefit from this prohibition is speculative at best.

A. There Is No Clear Correlation Between The Prohibition And Increased Subscribership

The comments reveal that those states that have subscribership levels above the national average are about evenly split as to whether or not local service in those states is disconnected for nonpayment of interstate service.[26] This even split, together with

[25] Based on their comments, the following groups of parties oppose the mandate: 6 states, 16 telephone companies or telephone company organizations, 5 IXCs, a reseller organization, a billing clearinghouse, and a payphone company. The following groups of parties support the mandate: 2 CAPs, 4 states, a consumer group, a public interest legal group, and a group of public advocates. The Montana Independent Telecommunications Systems, Inc. (p. 4) expressly did not object to a mandate, because US West does not apply the disconnection, but did not support it.

[26] This 50-50 split is based on the March 1995 CPS figures and on counting all of US West's states as having the prohibition because US West does not disconnect local service for nonpayment of the bills of IXCs. (U.S. West, p. ii) The following 15 states do not have the prohibition and have penetration levels at or above the 93.9% national average: Indiana (94%), Michigan (95.3%), Wisconsin (98%), California (94.7%), Virginia (96.9%), Alaska (93.9%), Connecticut (96.5%), Kansas (94.9%), Maine (95.5%), Maryland (94.7%), Missouri (93.9%), New Hampshire (95.3%), Ohio (93.9%), Rhode Island (96.5%), Vermont (96.4%). The following 16 states have the prohibition (counting all of US West's states) and have penetration levels at or above the 93.9% national average: Pennsylvania (96.6%), Hawaii (95.6%), Florida (94.1%), Delaware (96.1%), Massachusetts (96%), Colorado (96.9%), Idaho (94.5%), Iowa

review of the situation in individual states, shows that the Commission should not prohibit disconnects based on any perceived correlation between the prohibition and increased subscribership.

The Commission suggested the prohibition on disconnects based largely on two factors: 1) the experience of Pennsylvania, which has the prohibition and at the time of the NPRM had the highest subscribership rate in the nation;[27] and 2) the experience of certain other states which have the prohibition and also have subscribership rates higher than the national average.[28] Although the California Public Utilities Commission ("CPUC") supports the prohibition policy "because it may increase subscribership," the CPUC also points out that the states with the prohibition "have an average subscribership rate approximately equal to California's (94.7%)."[29] California has achieved that high level without the prohibition.

Bell Atlantic shows that the Pennsylvania experience does not provide evidence of a correlation between the prohibition on disconnects and subscribership penetration. Since the time that Pennsylvania adopted a prohibition, subscriber penetration "has increased at a slightly lower rate than the national average...."[30] Similarly, Bell Atlantic shows that in Delaware a prohibition on disconnects has "added nothing to subscriber penetration," with subscriber penetration remaining fairly constant since Delaware

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(95.9%), Minnesota (96.8%), Montana (96.2%), Nebraska (97.2%), North Dakota (97.6%), Oregon (96.5%), South Dakota (94.9%), Utah (98%), Washington (95.4%).

[27] Based on the March 1, 1995 CPS figures, Pennsylvania ranks seventh.

[28] NPRM, para. 11.

[29] CPUC, p. 4 (emphasis added).

[30] Bell Atlantic, pp. 4-5.

adopted a prohibition.[31] Bell Atlantic contrasts these situations with Virginia, which does not have a prohibition on disconnects and yet has higher subscriber penetration than Pennsylvania or Delaware.[32] Thus, parties, such as the General Services Administration ("GSA"), who support a federal prohibition on disconnects based solely on the Pennsylvania experience are sorely mistaken.[33]

Rochester Telephone shows that New York's subscriber penetration has substantially decreased since New York adopted the prohibition.[34] In addition, although US West does not disconnect customers for nonpayment of the bills of IXCs, "US West does not necessarily draw a correlation between its practices and subscribership levels."[35]

B. Many Factors Affect Subscribership

There are many factors that affect a state's penetration rate, and a high rate may have little or nothing to do with the existence of a prohibition on disconnects. The CPUC acknowledges the potential importance of these other factors:

> At the same time, the states with disconnection prohibitions may share other characteristics that lead to high subscribership rates, such as high personal income, low prices, good access to customer service in the consumer's primary language or other effective policies to promote subscribership. For example, elsewhere in the NPRM the Commission attributes

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[31] Id. at A-3.
[32] See id. at 5 and A-5, and March 1, 1995 CPS figures.
[33] See, e.g., GSA, p. 4.
[34] Rochester Telephone, p. 2.
[35] US West, p. ii.

> Pennsylvania's high subscribership rates to call control policies.[36]

Bell Atlantic points out that Pennsylvania's high penetration rate can be attributed to factors that arose after Pennsylvania adopted its prohibition, "such as the availability of measured usage plans and voluntary toll restriction."[37] Bell Atlantic states that over 27% of Bell Atlantic-Pennsylvania's residential customers subscribe to "measured usage plans...which afford a lower-priced alternative to flat-rated service for customers who place relatively few local calls."[38] In addition, Bell Atlantic explains that Pennsylvania already had high subscribership when it adopted the prohibition "largely because of its unique demographic characteristics."[39] Bell Atlantic points out:

> Pennsylvania's population is relatively elderly and immobile, with more people residing in rural areas than any other state in the country. Pennsylvania has a higher percentage of its population on Social Security and a smaller percentage below the poverty level than the national average. All of these factors led to a high penetration level.[40]

Bell Atlantic is correct that these characteristics of Pennsylvania correlate with high subscribership. Elderly, immobile, and rural residents tend to have high subscriber penetration levels. The Camden, New Jersey study pointed out concerning the elderly:

> As a group, older Americans have the highest telephone penetration rates of all. At 97%, the

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[36] CPUC, p. 4, n. 1.
[37] Bell Atlantic, p. 5.
[38] Id. at A-2, n. 4.
[39] Id. at A-2.
[40] Bell Atlantic, p. A-2.

> penetration rate for Americans 65 years and older exceeds the national average by three percent. Even when their income is very low, penetration rates for older people exceeds that of younger people in corresponding income groups. The real penetration problem lies with younger age groups, especially when they are members of racial or ethnic minorities.[41]

In addition, as the Commission states and the California Affordability Study confirms, impermanent living situations of highly mobile customers correlate with non-subscribership.[42] Thus, Pennsylvania's highly immobile population would be expected to have higher subscribership for that reason alone.

Finally, rural areas, like much of Pennsylvania, generally have higher subscribership:

> Telephone penetration is lowest in the inner cities, not in rural areas. Nationwide, penetration in rural areas is several percentage points higher than in central cities. The growth rate of penetration in rural areas since 1984 is faster than in other areas. Social isolation, once the concern of rural planners, now occurs more often in inner cities. Within the information society, isolation tends to result from lack of access to communication channels rather than from geographic distance.[43]

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[41] "Six Myths of Telephone Penetration: Universal Service from the Bottom Up," Rutgers University Project on Information Policy, funded by Bell Atlantic, Executive Summary of report released January 1995 ("Camden, New Jersey Study"), Executive Summary, p. 2.

[42] NPRM, para. 37.

[43] Camden, New Jersey Study, Executive Summary, pp. 2-3.

Thus, once again, parties are wrong to support a prohibition on disconnection based on Pennsylvania's experience.[44]

Based on experience in New York, Rochester Telephone points out that "other factors seem to play a far more significant role" concerning subscribership than does a prohibition on disconnection.[45] The New York State Department of Public Service ("NYSDPS") agrees and explains that state policies which are tailored to local conditions may be more effective:

> Anecdotal information suggests that while NYNEX customers appear to place a greater importance on retaining toll service, the customers of Rochester Telephone Company act more quickly to pay arrears for restoration of category two services (i.e., non-basic LEC services or enhanced services such as call waiting) than for toll service. These differences suggest that factors other than high toll charges may influence a customer's decision whether or not to stay on the public network. Thus, mandating a single, nationwide disconnect policy for non-payment of interstate toll charges may not be as effective in increasing telephone subscribership as state policies which are tailored to reflect conditions within a particular state.[46]

Thus, PULP's support for a federal mandate based solely on New York's experience is illogical and misplaced.[47]

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[44] See, e.g., GSA, p. 4.
[45] Rochester Telephone, p. 2.
[46] NYSDPS, pp. 5-6.
[47] PULP, pp. 5-7.

C. The Commission Should Focus On Root Causes Of Non-Subscribership

Several parties point out that the Commission should focus on the root causes of non-subscribership not the effects or symptoms. Ameritel Pay Phones explains why this approach counsels against a prohibition on disconnection:

> In addition to being much broader than is necessary, the proposal does not address what the Commission has identified as the core problem resulting in disconnection. According to the Notice, one of the primary causes of disconnection for non-payment is the customer's failure to exercise effective control over long distance usage. Prohibiting the LEC from disconnecting service for non-payment of long distance charges does not increase customer control, however. Instead, all it does is insulate them from the consequences of their inability (or unwillingness) to control their long distance charges. Customers still could (and would) run up long distance bills they could not afford, but, if DNP were prohibited, it would be the carrier (and its paying customers) that would bear the consequences of the customer's failure to pay.[48]

Similarly, EarthCall Communications Corporation ("ECC") states:

> The Pennsylvania program, for example, does not address the issue of how individuals (and carriers) can control costs. Rather, such programs are artificial solutions that merely alleviate the major symptom of non-subscribership.[49]

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[48] Ameritel Pay Phones, p. 5.

[49] ECC, pp. 3-4.